

Message Text

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64

ACTION ARA-20

INFO OCT-01 ISO-00 FPC-01 FEA-02 SCI-06 INT-08 EB-11

COME-00 AID-20 TRSE-00 XMB-07 SP-03 CIAE-00 DODE-00

INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 DRC-01

/111 W

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R 182315Z JUN 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 7303

INFO AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

UNCLAS SAN JOSE 2322

E.O. 11652: N/A

TAGS: ENRG, CS

SUBJECT: TRANS-COSTA RICAN PIPELINE PROJECT SCRUBBED

REF: SAN JOSE 1424

1. ON JUNE 14 THE COSTA RICAN COMPTROLLER'S OFFICE ISSUED A REPORT SETTING FORTH ITS OPPOSITION TO A PROJECT TO CONSTRUCT AN OIL PIPELINE ACROSS COSTA RICA. THE PROJECT, WHICH WAS TO BE UNDERTAKEN BY A FIRM KNOWN AS THE INTEROCEANIC LIQUID TRANSPORT COMPANY, LIMITED (COMPANIA INTEROCEANICA DE TRANSPORTES DE LIQUIDOS LIMITADA), AT THE ESTIMATED COST OF SOME \$400 MILLION, HAD RECEIVED THE FORMAL SANCTION OF THE FIGUERES ADMINISTRATION THROUGH THE ISSUANCE OF AN EXECUTIVE DECREE GRANTING THE COMPANY A CONCESSION.

2. SOON AFTER THE GOVERNMENT CHANGED ON MAY 8, THIS CONCESSION CAME UNDER SERIOUS ATTACK IN THE ASSEMBLY AND
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PRESIDENT ODUBER ANNOUNCED THAT HE BELIEVED THAT THE COMPTROLLER'S

OFFICE SHOULD RULE ON THE MATTER AND THAT HE WOULD ABIDE BY THEIR JUDGMENT. THUS, THE RECENT RULING APPEARS TO SPELL THE DEMISE, AT LEAST FOR NOW, OF THIS PARTICULAR PIPELINE PROJECT.

3. IT IS QUITE POSSIBLE, HOWEVER, THAT A SIMILAR PROJECT AT SOME FUTURE DATE MAY FARE BETTER. THE DECISION OF THE COMPTROLLER'S OFFICE WAS NOT BASED ON THE ECONOMIC FEASIBILITY OF A PIPELINE PER SE, RATHER, THE DECISION APPEARS TO BE BASED ON THE FAILURE OF THE COMPANY AND THE EXECUTIVE TO PURSUE NORMAL PROCEDURE PRIOR TO THE GRANTING OF THE CONCESSION. SOME PRINCIPAL OBJECTIONS SET FORTH IN THE REPORT OF THE COMPTROLLER'S OFFICE AS REPORTED BY THE PRESS ARE: (A) THAT A DETAILED FEASIBILITY STUDY WAS NOT PRESENTED BY THE COMPANY; (B) THAT THE EXECUTIVE DID NOT WEIGH THE POSSIBLE POLITICAL, SOCIAL, AND ECONOMIC REPERCUSSIONS INHERENT IN A PROJECT OF THIS NATURE AND SIZE; AND (C) THAT THE CONCESSIONS GRANTED TO THE COMPANY APPEARED TO BE EXCESSIVE-- E.G. A FREE PORT AND ZONE WOULD BE CREATED TO HOUSE THE COMPANY'S OPERATIONS, THE GOVERNMENT WOULD AT SOME POINT CEASE TO RECEIVE ROYALTIES IN RETURN FOR PAYMENT IN STOCK, AND PROVISION WOULD BE MADE FOR THE SETTLEMENT OF DISPUTES BY INTERNATIONAL TRIBUNAL. LANE

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Message Attributes

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